

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
April 14, 2020**

Fillmore Marketplace, located at 1223 Webster Street in San Francisco, requested and is being recommended for a reservation of \$1,385,336 in annual federal tax credits to finance the acquisition and rehabilitation of 118 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by The Related Companies of California and is located in Senate District 11 and Assembly District 17.

Fillmore Marketplace is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Fillmore Marketplace (CA-1993-148). See **Resyndication and Resyndication Transfer Event** below for additional information. The project financing includes state funding from the Rental Housing Construction Program of (RHCP) program of HCD.

Project Number CA-20-568

Project Name Fillmore Marketplace
Site Address: 1223 Webster Street
San Francisco, CA 94115 County: San Francisco
Census Tract: 159.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,385,336	\$0
Recommended:	\$1,385,336	\$0

Applicant Information

Applicant: Fillmore Marketplace Housing Partners, LP
Contact: Lisa Grady
Address: 44 Montgomery Street, Suite 1300
San Francisco, CA 94104
Phone: (415) 677-9029
Email: lisa.grady@related.com

General Partner(s) or Principal Owner(s): Fillmore Marketplace Development Co., LLC
San Francisco Housing Development Corporation

General Partner Type: Joint Venture

Parent Company(ies): The Related Companies of California
San Francisco Housing Development Corporation

Developer: The Related Companies of California

Investor/Consultant: Union Bank

Management Agent: Related Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 6
 Total # of Units: 120
 No. / % of Low Income Units: 118 100.00%
 Federal Set-Aside Elected: 20%/50%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: City and County of San Francisco
 Expected Date of Issuance: April 14, 2020

Information

Housing Type: Large Family
 Geographic Area: San Francisco County
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 108	92%
60% AMI: 10	8%

Unit Mix

29 1-Bedroom Units
 29 2-Bedroom Units
 62 3-Bedroom Units

 120 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
26 1 Bedroom	50%	25%	\$764
3 1 Bedroom	60%	40%	\$1,198
25 2 Bedrooms	50%	24%	\$873
3 2 Bedrooms	60%	41%	\$1,478
57 3 Bedrooms	50%	23%	\$977
4 3 Bedrooms	60%	39%	\$1,649
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$25,000,000
Construction Costs	\$0
Rehabilitation Costs	\$8,500,000
Construction Hard Cost Contingency	\$1,275,000
Soft Cost Contingency	\$150,000
Relocation	\$0
Architectural/Engineering	\$560,000
Const. Interest, Perm. Financing	\$1,638,363
Legal Fees	\$95,000
Reserves	\$731,711
Other Costs	\$1,233,484
Developer Fee	\$3,470,039
Commercial Costs	\$0
Total	\$42,653,598

Residential

Construction Cost Per Square Foot:	\$77
Per Unit Cost:	\$355,447
True Cash Per Unit Cost*:	\$254,923

Construction Financing

Source	Amount
Union Bank - T.E. Bonds	\$23,429,069
HCD - Assumed	\$11,796,314
San Francisco RDA - Assumed	\$963,470
Seller Carryback	\$3,100,000
Operating Income	\$272,267
Replacement Reserves	\$543,495
Deferred Reserves	\$545,602
Deferred Fees	\$48,380
Deferred Developer Fee	\$1,290,039
Tax Credit Equity	\$664,961

Permanent Financing

Source	Amount
Union Bank - T.E. Bonds	\$3,716,000
HCD - Assumed	\$11,796,314
San Francisco RDA - Assumed	\$963,470
Seller Carryback	\$10,772,791
Operating Income	\$272,267
Replacement Reserves	\$543,495
Deferred Developer Fee	\$1,290,040
Tax Credit Equity	\$13,299,221
TOTAL	\$42,653,598

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$12,896,252
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$26,645,524
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$16,765,128
Qualified Basis (Acquisition):	\$26,645,524
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	\$543,190
Maximum Annual Federal Credit, Acquisition:	\$842,146
Total Maximum Annual Federal Credit:	\$1,385,336
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,470,039
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.96000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$39,541,776
Actual Eligible Basis:	\$39,541,776
Unadjusted Threshold Basis Limit:	\$75,945,202
Total Adjusted Threshold Basis Limit:	\$166,005,415

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 97%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses are below the minimum operating expenses established in the Regulations (See "Significant Information / Additional Conditions" Section below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.24% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

The applicant's estimate for annual operating expenses per unit is below the \$8,100 published per unit operating expense minimum required for this type of project. Under regulation section 10327(g) operating expenses below the published minimum may be corrected. At the submission of the next updated TCAC application required by TCAC, and all subsequent submissions to TCAC, the applicant must meet the requirement of regulation section 10327(g)(1).

The applicant's estimate of contractor profit, overhead and general requirements costs exceed TCAC limits. The applicant is cautioned that at final review, prior to issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The owner/applicant is required to provide tenants with an on-site licensed child care facility for a minimum of (15) years.

Resyndication and Resyndication Transfer Event

Prior to closing, the owner/applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1993-148). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The applicant's estimate of contractor profit, overhead and general requirement costs exceed TCAC limits. The applicant's estimate of deferred developer cost also exceeds the TCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.